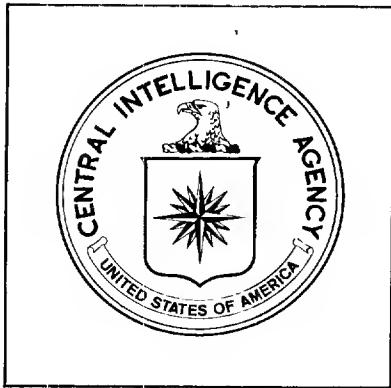


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WESTERN EUROPE – CANADA – INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

CONTENTS

Portuguese Regime Says It Will Expand Control of Industry	1
[REDACTED]	
Controversial Budget Adopted by Danish Parliament	4

25X6

March 27, 1975

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Portuguese Regime Says It Will Expand
Control of Industry

Portuguese Prime Minister Goncalves, speaking yesterday at the swearing-in of the new cabinet, indicated that the government will continue to expand its control over private industry. | 2

Goncalves left no doubt that the major emphasis of the cabinet will be on economic matters. He did not specify what is next in line to be nationalized, but said that the government's actions will provide "a clear demarcation of the sectors in which private enterprise can expand." Goncalves added that the government will also concentrate on consolidating its control of the banks and insurance companies nationalized earlier this month. | 2

Portuguese leaders, including the relatively moderate Socialists, are committed to a policy aimed at breaking the economic power of the wealthy. | 3

Goncalves said the government will also launch programs to counter rising unemployment and to regulate prices and incomes. He pointed out the need to "establish a regime of total austerity" because the country is "living above the means of the Portuguese economy." | 2

A breakdown of the new cabinet according to party affiliation of the 13 civilian ministers shows that the posts were allotted equally to the four members of the coalition--the Socialist Party, the Communist Party, the pro-Communist Democratic Movement, and the center-left Popular Democratic Party. Each received one ministry without portfolio and one other post. | | |

March 27, 1975

1 | Of the remaining five civilian ministers, three
are moderate technocrats, and two are Communist sympa-
thizers. The latter two are in positions of importance
to the Communists--the economic coordination and agri-
culture posts.

3 | The military apparently was willing to give up
its majority in the cabinet since the newly created
all-military Revolutionary Council has taken over the
legislative powers formerly held by the cabinet. The
cabinet is still responsible for the day-to-day ad-
ministration of the government, however, and could re-
gain some of its former influence.

2 | President Costa Gomes remarked at the ceremony
yesterday that the Revolutionary Council has been formed
to stimulate the government. He indicated that the
Council's role might be reduced if the cabinet proves
it can take decisive action to enact reforms. (Confidential)

25X1A



March 27, 1975

25X6

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Controversial Budget Adopted by Danish
Parliament

Denmark's ruling Social Democratic Party survived its second major test on March 21 when the government's controversial budget bill passed by a vote of 131 to 35.

Ironically, the new budget is a watered-down version of the bill that contributed to former Prime Minister Hartling's downfall last January. The government had to hurry because of a constitutional provision which requires enactment of the budget bill before the beginning of the fiscal year on April 1.

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The Social Democrats modified Hartling's proposal to reduce social welfare spending and adopted a \$182 million special employment program. In return, the government accepted cuts in its educational support program, an increased electricity tax, and the continuation of a tax on consumer appliances.

Prime Minister Jorgensen now has steered two controversial issues through a deeply divided parliament since coming to power five weeks ago. Two weeks ago parliament passed legislation to settle the stalemated national wage negotiations which threatened to lead to widespread strikes. (Confidential)

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March 27, 1975

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